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SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

REPORT OF THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE ON THE WORK OF ITS THIRTEENTH SESSION (PART ONE), LYON, 11-15 SEPTEMBER 2000

Addendum

MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL*

Consolidated text on principles, modalities, rules and guidelines

Note by the chairmen

CONTENTS OF PART ONE: ARTICLE 6 OF THE KYOTO PROTOCOL

		Paragraphs	Page
INTRODUCTION		1 - 8	3
PART ONE: ARTICLE 6 OF THE KYOTO PROTOCOL			5
I.	[Draft decision [A/CP.6]: [Guidelines] for the implementation of Article 6 of the Kyoto Protocol]		5

* This item was considered jointly by the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation at the first part of the thirteenth sessions, under agenda item 7.

			Paragraphs	Page
II.	Annex: [Guidelines] for the implementation of Article 6 of the Kyoto Protocol		1 - 145	9
		Definitions		9
	A.	Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol	1 - 5	10
	B.	[Executive board [of the clean development mechanism]]	6 - 11	11
	C.	Accreditation body	12 - 15	13
	D.	Accredited independent entities	16 - 17	14
	E.	Participation	18 - 33	15
	F.	Scope of projects	34 - 36	21
	G.	Validation	37 - 75	22
	H.	Registration	76 - 84	29
	I.	Monitoring	85 - 91	31
	J.	Verification	92 - 134	33
	K.	Certification	135 - 140	40
	L.	Issuance of emission reduction units	141 - 145	41
	Appendices to the annex			
	X.	Supplementarity	1 - 5	43
	A.	Standards and procedures for the accreditation of independent entities	1 - 3	46
	B.	[Project proposal][UNFCCC Article 6 reference manual]	1 - 12	50
	C.	Reporting by Parties	1 - 3	57
	D.	[Determination and allocation of the share of proceeds]	1 - 3	60

INTRODUCTION

A. Mandate

1. The Conference of the Parties (COP), at its fifth session, by decision 14/CP.5, requested the subsidiary bodies, at their sessions prior to the sixth session of the COP, to take forward the consolidated text as a basis for further negotiations on principles, modalities, rules and guidelines on mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol, with priority given to the clean development mechanism (CDM), and with a view to the Conference of the Parties taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at its sixth session, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Protocol (COP/MOP) at its first session.

2. By the same decision, the COP also requested the chairmen of the subsidiary bodies to convene inter-sessional meetings and workshops to assist in undertaking preparatory work for the COP at its sixth session, drawing on technical expertise, as appropriate, taking into account the need for transparency, regional balance in representation and the need for review of the experts' work by Parties.

B. Scope of the note

3. This note by the chairmen contains consolidated text on mechanisms as a basis for negotiations. Parties agreed to forward it to the second part of the thirteenth sessions of the subsidiary bodies. This note is based on the one contained in document FCCC/SB/2000/4 and takes into account submissions by Parties contained in documents FCCC/SB/2000/MISC.4, Add.1-2, Add.2/Rev.1, Add.2/Rev.1/Corr.1 and Add.3 as well as views expressed by Parties during the first part of the thirteenth sessions of the subsidiary bodies.

4. In preparation for the second part of the thirteenth sessions, the chairmen of the subsidiary bodies will further consolidate this note in consultation with Parties.

C. Approach

5. This note is structured in four parts relating to Article 6 projects, the CDM, emissions trading and registries. Each of these parts consists of a draft decision, an annex containing modalities, procedures, rules and guidelines, as appropriate, and appendices. The above-mentioned draft decisions may be covered by one common draft decision for consideration by the COP at its sixth session.

6. The basic structure of this note remains the same as that in document FCCC/SB/2000/4, though a number of new paragraphs have been incorporated and some have been moved. Structural changes could, however, be introduced in further consolidation as is noted in the text. Text proposed by the chairmen is presented in italics. Areas on which the chairmen invite Parties to focus during the consultations are presented in bold font.

7. In considering draft consolidated text, Parties may wish to bear in mind that all submissions by Parties contained in miscellaneous documents on mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol remain under consideration.

D. Possible action by the subsidiary bodies

8. The subsidiary bodies, during the second part of their thirteenth sessions, may wish to

(a) Take note of this document,

(b) Provide further guidance to the chairmen for taking forward consolidated text as a basis for negotiations on mechanisms, with priority given to the CDM, and with a view to the COP taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at its sixth session, including, where appropriate, recommendations to COP/MOP1, and

(c) To recommend to the COP, at its sixth session, decisions on all mechanisms and on how to address their resource implications.

PART ONE
ARTICLE 6 OF THE KYOTO PROTOCOL

[I. [Draft decision [A/CP.6]: [Guidelines] for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties,

Recalling **Article 6 of the Kyoto Protocol,**

Recalling **its decision 1/CP.3, in particular paragraph 5 (c),**

Recalling also **its decision 7/CP.4 on a work programme on mechanisms to be undertaken with priority given to the clean development mechanism, and with a view to taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at its sixth session, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session on, inter alia, [guidelines] concerning provisions under Article 6 of the Kyoto Protocol,**

Recalling also **its decision 8/CP.4,**

Recalling further **its decision 14/CP.5,**

1. ***Urges*** **the Parties concerned to facilitate the participation in Article 6 projects of Parties included in Annex I[1] [*that are undergoing the process of transition to a market economy*];**

2. ***Recommends*** **that the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session after the entry into force of the Protocol, adopt the following decision:**

Decision -/[CMP.1]

[[Guidelines] for the implementation of Article 6 of the Kyoto Protocol]

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Taking into account **[all of the relevant] provisions contained in [Articles 4 and 12 of the Convention] and Articles [3 and 6][2, 3, 4, 5, 6, 7, 11 and 18] of the Kyoto Protocol,**

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[1] 'Party included in Annex I' means a Party included in Annex I to the Convention, as may be amended, or a Party which has made a notification under Article 4, paragraph 2(g) of the Convention.

Bearing in mind **that, in accordance with Article 6, [any Party [2] included in Annex I may participate in Article 6[3] projects for the purpose of meeting its commitments under Article 3 and that any]acquisition[s] of emission reduction units shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under Article 3 [*and reflecting provisions contained in appendix X to the annex to this decision*],**

Also bearing in mind [[Article 3, paragraphs 10 and 11][that, in accordance with Article 3, paragraph[s] 10 [and 11], of the Kyoto Protocol, any emission reduction units[, or any part of an assigned amount,] which a Party acquires from another Party in accordance with the provisions of Article 6 [or of Article 17] shall be added to the assigned amount for the acquiring Party and [that, in accordance with Article 3, paragraph 11, of the Kyoto Protocol, any emission reduction units, or any part of an assigned amount, which a Party transfers to another Party in accordance with the provisions of Article 6 or of Article 17 shall be] subtracted from the assigned amount for the transferring Party]][Articles 3 and 6 of the Kyoto Protocol, in accordance with which, any emission reduction units which a Party transfers to another Party shall be subtracted from the assigned amount for the transferring Party and any emission reduction units which a Party acquires from another Party shall be added to the assigned amount for the acquiring Party, keeping in view that any such transfers and acquisitions are only for the purpose of contributing to the achievement of compliance with the quantified emission limitation and reduction commitments in Article 3 without altering the assigned amount of any Party pursuant to its quantified emission limitation and reduction commitments inscribed in Annex B.],

[*Affirming* that, in their actions to achieve the purpose of Article 6, Parties shall be guided by Articles *2 and* 3 of the Convention, and, inter alia, the following considerations][actions under Article 6 contribute to achieving the ultimate objective of the Convention]:

[[Equity [between developed and developing countries]: [Equity relates to equitable per capita emission entitlements for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.] [Developed countries shall contract greenhouse gas emissions to reduced levels with per capita emission levels in developed and developing countries coming on a converging path, so as to avoid perpetuating existing inequities between Parties included in Annex I and Parties not included in Annex I];]

[Recognizing that the Protocol has not created or bestowed any right, title or entitlement to the Parties included in Annex I and in Annex B and that it has not created an international market system or regime;]

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[2] **'Party' means a Party to the Kyoto Protocol, unless otherwise indicated.**

[3] **'Article' means an Article of the Kyoto Protocol, unless otherwise indicated.**

[Comprehensiveness: Projects under Article 6 shall comprehensively cover all relevant sources, sinks and reservoirs of greenhouse gases, adaptation, and shall comprise all economic sectors;]

[Transparency;]

[Climate change effectiveness: Any Article 6 project, in accordance with paragraph 1 (b) of Article 6, shall provide a reduction in emissions by anthropogenic sources, or an enhancement of anthropogenic removals by sinks, that is additional to any that would otherwise occur].

Fungibility/non-fungibility: Parties [may] [may not] exchange emission reduction units[, certified emission reductions] and [assigned amount units][parts of assigned amount] [in accordance with rules and procedures established by the COP/MOP which are to ensure their effective environmental equivalence].]

Having considered **decision A/CP.6,**

1. ***Decides*** **to adopt the [guidelines] for the implementation of Article 6 contained in the annex to this decision;**

2. **[*Decides* that the share of proceeds** to be used in accordance with Article 12, paragraph 8, **shall be applied to Article 6 projects**[4] **] *and shall be collected and allocated in accordance with provisions contained in appendix D [to cover administrative expenses and [no less than 100-z per cent] to the adaptation fund]*** and shall be [x per cent of y], of which [no more than z per cent] shall be allocated to administrative expenses and [no less than 100-z per cent] to the adaptation fund. The share of proceeds for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall be additional to financing by Parties included in Annex I of adaptation activities under other provisions of the Convention and the Protocol [and shall be administered in accordance with the [guidelines] for Article 6 contained in the annex to this decision]];

3. ***Urges*** **the Parties concerned to facilitate the participation in Article 6 projects of Parties included in Annex I that are undergoing the process of transition to a market economy;**

4. ***Decides*** **that the [distribution][sharing][division]of the emission reduction units [resulting from an Article 6 project] will be determined by the participating Parties [and any legal entities involved];**

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[4] **[An adaptation fund shall be established to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change and/or to the impact of the implementation of response measures, under Articles 6 and 17, to meet the costs of adaptation.]**

5. Option 1: ***Decides*** **to review and, where appropriate, revise the [guidelines] contained in the annex** and any [guidelines] established thereunder. **A review of the annex, *based on recommendations by the Subsidiary Body for Scientific and Technological Advice and Subsidiary Body for Implementation*[5], shall be undertaken no later than one year after the completion of the [first] true-up period[6], taking into account, inter alia, the relevant experience of the Parties.** This shall be done for the first time no later than the year [2012] and periodically thereafter. **Revisions shall not affect Article 6 projects** [during the first commitment period nor those] **already** [approved][**registered**]**;**

Option 2: *Decides* that the Subsidiary Body for Scientific and Technological Advice may consider the possible revision of these [guidelines] taking into account the relevant experience of Parties. Revisions should not affect the first commitment period and Article 6 projects under way;

6. ***Decides*** **that any future revision of this annex shall be [adopted] by consensus;**

7. ***Requests*** **[the secretariat of the Convention] to perform functions assigned to the secretariat [as contained] in this decision and its annex[7].]**

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[5] In accordance with provisions contained in Article 15 of the Kyoto Protocol.

[6] **True-up period, as defined in the compliance decision.**

[7] **The resource implications of this operative paragraph will need to be specified.**

II. Annex

[GUIDELINES] FOR THE IMPLEMENTATION OF ARTICLE 6 OF THE KYOTO PROTOCOL

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

[Definitions

For the purpose of this Annex:

(a) **"Party" means, unless the context otherwise indicates, a Party to this Protocol.**

(b) **"Protocol" means the Kyoto Protocol to the United Nations Framework Convention on Climate Change.**

(c) **"Article" means an Article of the Protocol, unless otherwise indicated.**

(d) **An "emissions reduction unit" or "ERU" is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.**

(e) **A "certified emissions reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.**

(f) **Option 1: An 'assigned amount unit' or AAU refers to a part of assigned amount equal to one tonne of carbon dioxide equivalent emissions, calculated using the global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5 [allocated by a Party in Annex B to its authorized legal entities].**

Option 2: "Assigned amount units" or "AAUs" are units calculated pursuant to Articles 3.7, 3.8, [3.3, and 3.4] each equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

(g) **A 'part of assigned amount' (PAA) is a part of the assigned amount of a Party *included in Annex B as defined in Article 3[, paragraph 7,]* equal to one tonne of carbon dioxide equivalent emissions, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.**

(h) **["Assigned amount" includes AAUs, CERs and ERUs.]**

A. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

Option A:

(Note: There is no need for this section.)

Option B (para. 1):

1. The COP/MOP shall exercise authority over and provide guidance regarding the implementation of Article 6 by designating independent entities and for this purpose appointing an accreditation body as set out in appendix …

Option C (paras. 2 to 5):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall exercise its authority, over and provide guidance regarding, the implementation of Article 6 by:

(a) Approving rules and procedures for the preparation and distribution of the provisional agenda of [executive board[8]] meetings and for presentations to be made to the [executive board] by Parties and accredited observers;

(b) Considering recommendations by the [executive board] submitted in accordance with provisions in this annex and taking decisions, as appropriate;

(c) Considering annual reports of the [executive board] and, if appropriate, providing guidance to the [executive board] [regarding its administration of the decisions of the COP/MOP that establish the guidelines on issues] such as methodologies for determining baselines; guidelines for monitoring, verification, certification, accreditation and reporting; and the reporting format.

3. [The COP/MOP [may] [shall] consider appeals against decisions taken by the [executive board]. The COP/MOP may, upon request of [x] Parties or on its own initiative, review, modify, or overrule any decision or other action of the [executive board] based on [technical and procedural] advice provided by the SBSTA and the SBI. The COP/MOP shall make a final decision within [x] [months] [sessions] after a request has been made by [x] Parties.]

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[8] Whenever the term [executive board] is mentioned, it should be read as [executive board [of the CDM]].

4. [The COP/MOP shall accommodate appeals from Parties included in Annex I, proponents of Article 6 projects or public or private entities affected by such projects.]

5. [Arbitration of disputes between Parties shall be undertaken in accordance with Article 14 of the Convention [provided, however, that such arbitration shall not limit or in any other manner preempt or prejudice the authority or the decisions of the COP/MOP, the executive board referred to in these [guidelines], or the compliance body referred to in decision[9] --/CP.6].]

B. [Executive board [of the clean development mechanism]]

Option A:

(Note: There is no need for this section.)

Option B (paras. 6 to 11):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

6. The [executive board] shall assume supervisory functions over Article 6 projects to ensure that they are in conformity with the Convention, the Protocol and all relevant decisions of the COP/MOP. The [executive board] shall be responsible for carrying out functions and mandates mentioned in this decision, its annex and relevant decisions of the COP/MOP. The [executive board] shall be fully accountable to the COP/MOP [as a separate standing body of the COP/MOP].

7. The [executive board] shall, *inter alia*:

(a) [Assure that, as far as possible, Article 6 projects shall cover all relevant sources, sinks and reservoirs of greenhouse gases[, adaptation,] and shall comprise all economic sectors;]

(b) [[[Revise and amend][Make recommendations to the COP/MOP concerning] the areas in which Article 6 projects can be undertaken and the types of projects that can be included [and submit recommendations for adoption to the COP/MOP] as well as] [determine] new baseline and monitoring methodologies in accordance with the provisions in section G on validation below [and submit recommendations for adoption to the COP/MOP];]

(c) Provide guidance to legal entity participants[10] [following][in accordance with] decisions of the COP/MOP;

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[9] 'Decision --/CP.6.' refers to the decision establishing a compliance system pursuant to Article 18.

[10] **"Legal entity participants" refers to "legal entities" mentioned in Article 6, paragraph 3.**

(d) [Facilitate, as appropriate, a specific mechanism to be established by the COP/MOP to assist Parties included in Annex I[11], in particular those with economies in transition, with the capacity-building required to participate in Article 6 projects], and [recommend][assign], as appropriate, functions to other institutions under Article 6 within the framework provided for by the COP/MOP [and define the roles of multilateral agencies, especially as regards the development of the institutional capability required to promote broadparticipation by all Parties included in Annex I, in particular those with economies in transition][and submit recommendations for adoption to the COP/MOP];

(e) Recommend to the COP/MOP decisions on rules and procedures for the efficient functioning of the [executive board] on, *inter alia*, the preparation and distribution of the provisional agenda of [executive board] meetings and for presentations to be made to the [executive board] by Parties and accredited observers;

(f) Make public [all non-confidential information for projects, including registered project design documents, public comments received, verification reports, its decisions and all ERUs[12] issued][relevant non-confidential information on the registration of Article 6 project acitivities including the identification number];

(g) Report to each session of the COP/MOP on its activities, new projects registered, ERUs issued and prepare recommendations for consideration by COP/MOP, as appropriate.

(Note: No provisions are included here on the composition of the executive board, on the assumption that provisions under the CDM would apply.)

(Note: The following paragraphs concern the relation between the [executive board] and "independent entities", whose functions are described in section D below. Parties may wish to consider that under the CDM the term "operational entities" is being used.)

8. [The [executive board] shall be the accreditation body for independent entities.] [The executive board] shall maintain a publicly available list of all independent entities.

9. The [executive board] may suspend or withdraw the accreditation of an independent entity if it finds that it no longer meets the accreditation standards or applicable requirements contained in decisions of the COP/MOP. The [executive board] shall immediately notify the affected independent entity and the COP/MOP of such action. [Registered projects shall not be affected by the suspension or withdrawal of accreditation unless deficiencies identified in the validation report, verification report or certification for the project constitute a reason for the suspension or withdrawal of the accreditation.] Any decision taken by the [executive board] to withdraw accreditation shall be taken only after the independent entity has had the possibility of a hearing. The executive board shall make its decision on such a case public.

10. The [executive board] may review the accreditation standards, as appropriate, and recommend any revisions and amendments to the COP/MOP for adoption.

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[11] 'Party included in Annex I' means a Party included in Annex I to the Convention, as may be amended [, or a Party which has made a notification under Article 4, paragraph 2(g) of the Convention].

[12] An "emission reduction unit" (ERU) is defined in accordance with the annex to decision D/CP.6.

(The following paragraph relates to the share of proceeds.)

11. The [executive board] [transferring Party] shall assess the share of proceeds [referred to in Article 12, paragraph 8.] upon receiving a request for ERUs to be issued. The [executive board] [transferring Party] shall deduct the appropriate [share of proceeds] [number of ERUs] from the quantity of ERUs to be issued as a result of the project, prior to their allocation to project participants[15]. The amount of the share of proceeds to be used to cover administrative expenses shall be retained by the [executive board] for this purpose. The [remaining] amount of the share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation shall be transferred to an adaptation fund established by the [COP] [COP/MOP].]

C. Accreditation body

Option A:

(Note: There is no need for this section.)

Option B (paras. 12 to 15):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

12. The accreditation body shall accredit independent entities, in accordance with the standards and procedures contained in appendix A and relevant decisions by the [executive board] [COP/MOP].

13. [If the information supplied by an independent entity in respect of the accreditation criteria is insufficient to make a decision about accreditation, the accreditation body may carry out a competence analysis in cooperation with the independent entity. This would:

(a) Comprise an assessment of skills in response to evaluated needs;

(b) Cover the requirements of each relevant technical area;

(c) Demonstrate that the independent entity is able to identify the typical technical areas, environmental aspects and associated impacts of Article 6 projects.]

14. At regular intervals, not exceeding [x] years, as well as through spot-checking at any stage, the accreditation body shall review whether the independent entity continues to comply with the accreditation standards, including, as appropriate:

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[15] **'Participant' means a Party, a legal entity resident in a Party, or both, that has entered into a contractual agreement [on] [to implement] an Article 6 project.**

(a) Auditing of relevant functions and activities of the independent entity;

(b) Monitoring the quality of the validation, verification and/or certification operations undertaken, including work subcontracted.

15. In reviewing independent entities, the accreditation body may request further information from them and/or project participants, as necessary.

D. Accredited independent entities

Option A:

(Note: There is no need for this section.)

Option B (paras. 16 to 17):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

16. Accredited independent entities shall be responsible for carrying out functions referred to in [sections D, G-K][section J] of this annex as well as in other relevant decisions of the COP/MOP [and the executive board].

17. An accredited independent entity shall:

(a) Be accredited by the COP/MOP through the accreditation body;

(b) Be supervised by the [executive board][and the designated national authority for Article 6 projects of the host Party] and be fully accountable to the COP/MOP, through the [executive board];

(c) [Be authorized by the designated national authority for Article 6 projects of the host Party to operate therein.][Comply with applicable laws of the Parties hosting Article 6 projects which it validates, verifies and/or certifies];

(d) Be subject to modalities and procedures specified in applicable decisions of the COP/MOP [and the executive board];

(e) Inform immediately the accreditation body of any changes in its situation pertaining to accreditation criteria. If the accreditation body is satisfied that the change in circumstances does not breach the accreditation criteria, it shall confirm the accreditation of the independent entity;

(f) Not [verify] and/or certify reductions in anthropogenic emissions by sources [and/or enhancement of anthropogenic removals by sinks] from a Article 6 project which it has validated;

(g) Maintain and publish a list of all projects which it has validated, or for which it has verified and/or certified reductions in anthropogenic emissions by sources [and/or enhancement of anthropogenic removals by sinks], including, as applicable, an identification of subcontractors used for any such function;

(h) Submit annual activity reports to the [executive board] in accordance with appendix A. The required documentation and records system, identified in appendix A, shall form the basis for the annual report.

E. Participation

(Note: This section may have linkages with decision --/CP.6 establishing a compliance system.)

Option A (paras 18 to 24)

18. **To acquire emission reduction units, an Annex I Party must:**

(a) Have in place, by the time a report is submitted pursuant to paragraph 19 (a) and thereafter, a national system for the estimation of anthropogenic emissions by sources /and *enhanced anthropogenic* removals by sinks/ of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5.1 and requirements in the guidelines thereunder;

(b) Have in place, by the time a report is submitted pursuant to paragraph 19 (a) and thereafter, a computerized national registry to account for and track all changes in its assigned amount, in accordance with Article 7.4 and requirements in the guidelines decided thereunder[14];

(c) Have established, by the time a report is submitted pursuant to paragraph 19 (a) and thereafter, its initial assigned amount, in accordance with Article 7.4 and requirements in the guidelines decided thereunder;

(d) Have submitted with the report described in paragraph 19 (a) one annual inventory for the relevant recent year[of anthropogenic emissions by sources and *enhanced anthropogenic* [removals by sinks] of greenhouse gases not controlled by the Montreal Protocol][15], in accordance with Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder, other than those relating to the deadline for the first submission; and

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[14] **This paragraph assumes that the guidelines for national registries will be decided under Article 7.4. It would need to be amended if the guidelines were agreed under another Article of the Kyoto Protocol.**

[15] **This paragraph assumes that the guidelines for national registries will be decided under Article 7.4. It would need to be amended if the guidelines were agreed under another Article of the Kyoto Protocol**

(e) **Have subsequently submitted annual reports on its assigned amount for each year following the submission of a report described in paragraph 19 (a), [annual information on its assigned amount,] in accordance with Article 7.1 and the requirements in the guidelines decided thereunder, and annual inventories, in accordance with Articles 5.2 and 7.1 and the requirements in the guidelines decided thereunder[[16]];**

(f) **Option 1: [Have submitted the last required periodic national communication, in accordance with the guidelines specified in decision 4/CP.5 or as modified by subsequent decisions of the [COP][and/or][COP/MOP];]**

Option 2: [Have submitted the last required periodic national communication and be bound by any compliance regime *system* **adopted by the [COP][and/or][COP/MOP]].**

19. **A Party may acquire ERUs under Article 6:**

(a) After [XX] months have elapsed since the submission of a report to the secretariat documenting that it meets the requirements in paragraph 18, subparagraphs (a) through (d), [(e)] and [(f)] [and paragraph 21], unless the Compliance [Committee] has found that it has not met one or more of such requirements;

(b) A Party may acquire ERUs under Article 6 at an earlier date if the enforcement branch of the Compliance [Committee] has notified the secretariat that it is not proceeding with any question of implementation relating to the requirements in paragraph 18, subparagraphs (a) through (d), [(e)] and [(f)] [and paragraph 21];

(c) [Such Party may acquire ERUs, unless and until the Compliance [Committee] has found that it has not met one or more of the requirements in paragraph 18, subparagraphs (a) through (e) [and (f)] [and paragraph 21]. If the Compliance [Committee] has found that a Party does not meet one or more requirements above, the Party shall become qualified again only if and when the Compliance [Committee] has found that it has met those requirements;]

20. **Pursuant to Article 6.4, if a question of implementation identified by an Article 8 expert review team about a Party's implementation of the requirements in paragraph 18, subparagraphs (a) through (e) [and (f)] [and paragraph 21] is pursued by the Compliance [Committee], during the time between the Compliance [Committee's] identification of the compliance question and the resolution of the issue of compliance, the Party may continue to acquire ERUs, provided that any such units may not be used by the Party to meet its commitments under Article 3.1 until the issue of compliance is resolved.**

21. **[To transfer or acquire ERUs an Annex I Party must be bound by any compliance** regime *system* **adopted by [COP][and/or][COP/MOP].]**

22. **A Party [included in Annex I] [that authorizes][may authorize] legal entities to participate, [in Article 6 projects] under its responsibility, in actions leading to the generation, transfer or acquisition under Article 6 [paragraph 3] of emission reduction**

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[16] **This is without prejudice to elaboration of inventory and reporting requirements for LULUCF.**

units [shall remain responsible for the fulfilment of its obligations under the Protocol and shall ensure that such participation is consistent with this annex].

23. **A Party involved in one or more projects under Article 6 shall submit to the secretariat a report identifying the Party's focal point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).**

24. ***(Note: The content of the former paragraph is reflected in paragraph 94)***

Option B (paras. 25 to 33)

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

25. Participation in an Article 6 project is voluntary.

Option 1 (paras 26 and 27):

26. A Party included in Annex I may use ERUs to contribute to compliance with its quantified emission limitation and reduction commitments under Article 3 [to make up for shortfalls in achieving its emission commitments under Article 3, subject to supplementarity provisions,] if it:

(a) Has ratified the Protocol;

(b) [[Is in compliance] [Has not been found to be in non-compliance] with its commitments under Articles 5 and 7 [and Article 12 of the Convention] [in relation to emission inventories and accounting for assigned amount], the rules and *[guidelines]* established for Article 6 projects, and relevant provisions of the Protocol;]

(c) Option 1: [[Is bound by a compliance regime adopted by the COP/MOP] and has not been excluded from participation in Article 6 projects according to its procedures and mechanisms[, in particular provisions regarding Article 2, paragraphs 1 and 3, Article 3, paragraphs 2 and 14, and Articles 6, 11, 12 and 17];]

Option 2: Is in compliance with the provisions, paragraphs 3, 5, 8, and 9 of Article 4 of the Convention and the decisions of the COP thereunder and the provisions of Article 2, paragraphs 1 and 3, Article 3, paragraphs 2 and 14, and Articles 4, 5, 6, 7 and 11 of the Protocol and the decisions of the COP/MOP thereunder;

(d) [[Adheres to] [Complies with] the provisions on registries contained in decision D/CP.6;]

(e) [Has achieved sufficient emission reductions through domestic [action] [policies and measures][in accordance with appendix X;]

(f) Has submitted all national communications required of the Party by Article 12 of the Convention and by Article 7 of the Protocol, containing all of the information and supplementary information required by Article 12 of the Convention or by Article 7 of the Protocol, as those requirements may be elaborated from time to time by the COP or by the COP/MOP, respectively, as well as all of the information required by appendix C to this annex on [guidelines] for Article 6 projects, and the Party's submission of such national communication for the year immediately preceding the year in which the Party proposes to acquire ERUs was made in strict compliance with the timetable applicable to such submission;[17]

27. If an issue is raised in accordance with decision -/CP.6 concerning compliance by a Party included in Annex I with a provision of the paragraph above:

(a) The issue shall be resolved in accordance with decision -/CP.6;

(b) ERUs may be acquired by the Party after the issue of its possible non-compliance has been raised, provided that any ERUs acquired after the issue has been raised may not be used by the Party to meet its commitment under Article 3, paragraph 1 of the Protocol until any issue of its compliance with a provision of the paragraph above, has been finally resolved; and

(c) If it is determined that, at the time a Party included in Annex I acquired ERUs pursuant to Article 6, the Party was not in compliance with any provision of the paragraph above, any addition of such ERUs to the Party's assigned amount pursuant to Article 3, paragraph 10 of the Protocol by reason of such acquisition shall be cancelled as of the date of the final determination of non-compliance made pursuant to decision -/CP.6 and thereafter shall not be counted as part of the Party's assigned amount.

Option 2 (paras 28 to 33):

28. Prior to the start of the first commitment period, the expert review teams established under Article 8 shall review the observance by Parties included in Annex I of the following eligibility criteria for transfers and acquisitions under the provisions of Article 3:

(a) Ratification of the Protocol;

(b) Option 1: [[Being bound by a compliance regime] adopted by the COP/MOP and not having been excluded from participation in Article 6 projects according to its procedures and mechanisms[, in particular provisions regarding Article 2, paragraphs 1 and 3, Article 3, paragraphs 2 and 14, and Articles 6, 11, 12 and 17];]

Option 2: The Party is in compliance with the provisions of Article 4, paragraphs 3, 5, 8, and 9 of the Convention and the decisions of the COP thereunder and the provisions of Article 2, paragraphs 1 and 3, Article 3, paragraphs 2 and 14, and Articles 4, 5, 6, 7 and 11 of the Protocol and the decisions of the COP/MOP thereunder;

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[17] This subparagraph contemplates that, concurrently with adoption by the COP of its decision concerning these guidelines for Article 6, the COP also will adopt appropriate decisions requiring the Annex I Party to include in its national communication detailed information to demonstrate the Party's compliance with Articles 4.3, 4.5, 4.8, and 4.9 of the Convention and the decisions of the COP thereunder and compliance with Articles 2.1, 2.3, 3.2, 3.14, 4, 5, 6, 7 and 11 of the Protocol and the decisions of the COP/MOP thereunder (including the COP's recommended decisions to the COP/MOP concerning those Articles of the Protocol).

(c) The implementation of a national system for the estimation of anthropogenic emissions by sources and *anthropogenic* removals by sinks in accordance with the [guidelines] set out in decision -/CP.6;

(d) The establishment of a national registry system to track parts of an assigned amount, certified emission reductions and emission reduction units transferred or acquired under the provisions of Article 3, paragraphs 10, 11 and 12, in accordance with the [guidelines] set out in decision D/CP.6;

(e) The completeness and accuracy of the base year greenhouse gas emissions inventory and greenhouse gas inventory report to standards [to be] established in a decision of the COP/MOP;

(f) The timely submission, completeness and accuracy of the last available annual greenhouse gas inventory and annual greenhouse gas inventory report, to standards [to be] specified in a decision of the COP/MOP;

(g) Option 1: [The submission of the last required periodic national communication, in accordance with the [guidelines] specified in decision 4/CP.5 or as modified by subsequent decisions of the [COP] [and/or] [COP/MOP];]

Option 2: The Party has submitted all national communications required of the Party by Article 12 of the Convention and by Article 7 of the Protocol, containing all of the information and supplementary information required by Article 12 of the Convention or by Article 7 of the Protocol, as those requirements may be elaborated from time to time by the COP or by the COP/MOP, respectively, as well as all of the information required by appendix C to this annex on [guidelines] for Article 6 projects, and the Party's submission of such national communication for the year immediately preceding the year in which the Party proposes to transfer or acquire ERUs was made in strict compliance with the timetable applicable to such submission;[18]

29. After the start of the first commitment period, the compliance body shall [in accordance with the rules of procedure established in decision . . . and], based on the information submitted by the expert review teams [or by any Party in accordance with the procedures established in decision --/CP.6], review and make decisions on the continuing observance of the following eligibility criteria by Parties:

(a) Submission of the annual greenhouse gas inventory and annual greenhouse gas inventory report by the date decided by the COP/MOP;

(b) Completeness and accuracy of the annual greenhouse gas inventory and annual greenhouse gas inventory report, to standards [to be] specified in a decision of the COP/MOP;

(c) Maintenance of the national registry system in accordance with the guidelines contained in decision D/CP.6;

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[18] Refer to footnote 17.

(d) Option 1: [Submission of periodic national communications, in accordance with the guidelines contained in decision 4/CP.5 or as modified by subsequent decisions of the [COP] [and/or] [COP/MOP].]

Option 2: Submission of all national communications required of the Party by Article 12 of the Convention and by Article 7 of the Protocol, containing all of the information and supplementary information required by Article 12 of the Convention or by Article 7 of the Protocol, as those requirements may be elaborated from time to time by the COP or by the COP/MOP, respectively, as well as all of the information required by appendix C to this annex on [guidelines] for Article 6 projects, and the Party's submission of such national communication for the year immediately preceding the year in which the Party proposes to transfer or acquire ERUs was made in strict compliance with the timetable applicable to such submission;[19]

(e) Compliance with the provisions of Article 4, paragraphs 3, 5, 8, and 9 of the Convention and the decisions of the COP thereunder and the provisions of Article 2, paragraphs 1 and 3, Article 3, paragraphs 2 and 14, and Articles 4, 5, 6, 7 and 11 of the Protocol and the decisions of the COP/MOP thereunder:

30. [A Party operating under Article 4 [may] [may not] [acquire] [transfer] [use] ERUs resulting from Article 6 projects [and use them] [to contribute to compliance with its Article 3 commitments] if another Party operating under the same Article 4 agreement, or a regional economic integration organization to which the Party belongs and which is itself a Party to the Protocol, is found not to be in compliance with its obligations under Articles 5 and 7.]

31. A legal entity resident in a Party included in Annex I may participate in Article 6 projects with the approval of that Party[.][, if:

(a) The Party [may use ERUs to contribute to compliance with its quantified emission limitation and reduction commitments under Article 3] [has not been excluded from participation in Article 6 projects];

(b) [The entity is in compliance with the rules and [guidelines] established for Article 6;]

(c) [The entity is in compliance with guidance provided by [the executive board] [its national government].]]

32. A Party may develop national guidelines, consistent with [guidelines] here established, for the participation in Article 6 projects of that Party and of legal entities resident in or operating in the jurisdiction of that Party. The Party shall [publish][make publicly available] such national guidelines.

33. A Party participating in an Article 6 project shall:

(a) [Designate a national authority to approve Article 6 projects][Designate a focal point of contact for the submission of project proposals];

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[19] Refer to footnote 17.

(b) [Develop and publish a legal and institutional framework, including procedures, for consideration and approval of project [design documents] [proposals]][Develop national guidelines for project cycle including project submission, approval procedure, registration, monitoring, verification and issuance of ERUs];

(c) [Approve each Article 6 project based on a project [design document] [proposal]][Require from legal entities implementing a project under Article 6 submission of information on the project according to appendix B. Verify submitted information and decide whether the project is additional to any that would otherwise occur, in accordance with Article 6.1(b) of the Protocol. Consider project proposals under Article 6 on a project by project basis];

(d) [Provide a formal letter of approval from the designated national authority to project participants to demonstrate its approval of each project [design document] [proposal];]

(e) Cooperate, as appropriate, with project participants in providing access to and/or in generating necessary data for the formulation of baselines;

(f) Maintain an up-to-date list of legal entities [resident in][of] that Party which it approves for participation in Article 6 projects. The list shall be made available to the secretariat and the public;

(g) Ensure that legal entities which it approves for participation in Article 6 activities comply with applicable rules and procedures;

(h) Report in accordance with appendix C. Provide information to the secretariat on the approved project including the name of the project, participating Parties, participating entities, type of activity, planned lifetime, projected emission reduction, and proposed sharing of emission reductions as well as information on additionality of the project. Provide to the secretariat information on completion of the project and end of the generation of ERUs;

(i) Participating Parties may designate an independent entity to assist them in verification of project performance. Moreover, the agreement between participating Parties may include provisions in case the project is not implemented, its lifetime is shorter than planned, emission reductions are lower or higher than planned and means for resolving disputes.

F. Scope of projects

Option A:

(Note: There is no need for this section.)

Option B (paras 34 to 36):

(Note: Section F may be considered as an option against sections G, H, I and K.)

34. Projects under Article 6 shall cover one or more of the gases listed in Annex A to the Protocol.

35. **Projects under Article 6 must provide a reduction in anthropogenic emissions of greenhouse gases by sources listed in Annex A to the Protocol, [or an enhancement of anthropogenic removals by sinks], that is additional to any that would otherwise occur. Enhancements of anthropogenic removals by sinks covers activities included in Article 3, paragraph 3, and any additional activities under Article 3, paragraph 4.**

36. **A project under the pilot phase of activities implemented jointly shall be eligible to be pursued as a project under Article 6 if the project meets the criteria established in these guidelines, and if the Parties involved in the project agree that it should be considered as an Article 6 project.**

G. Validation

Option A:

(Note: There is no need for this section.)

Option B (paras 37 and 38):

37. Validation is the process of independent evaluation of a project by an accredited independent entity against the requirements of Article 6 projects on the basis of a project [design document] [proposal].

38. [A Party may develop its own procedures and criteria for the validation of project proposals.]

Option *B*C (paras 39 to 75):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

39. Validation is the process of independent evaluation of a project by an accredited independent entity against the requirements of Article 6 projects on the basis of a project [design document] [proposal].

40. All the rigours and conditions of CDM projects for ensuring real, measurable and long-term benefits related to the mitigation of climate change at the project level must apply to Article 6 projects.

41. The project design document shall fulfil requirements contained in the [UNFCCC Article 6 reference manual] contained in appendix B. Validation of a project activity is a prerequisite for its registration as an Article 6 project.

42. Project participants shall submit to an accredited independent entity, under a contractual arrangement, a project design document for validation. The project design document shall contain all information [needed for the validation of the project as an Article 6 project, in accordance with the [UNFCCC Article 6 reference manual][requirements set forth in appendix B] including, inter alia, a proposed project-specific or [standardized] [multi-project] baseline and a monitoring plan] [required for the registration of a project specified in this decision].

43. Accredited independent entities shall ensure that proprietary information submitted in a project design document [is held in confidence in accordance with provisions contained in the [UNFCCC Article 6 reference manual][appendix B].] Information needed to determine emissions additionality shall not be considered confidential.

44. The accredited independent entity, selected by project participants to validate a project activity, shall review the project design document and supporting documentation to confirm that the following requirements are met:

(a) The project design document has been approved by [the host Party] [each Party involved] in the form of a formal letter of approval;

(Note: Subparagraph (a) should be read in conjunction with paragraph 51.)

(b) The project participants are eligible to participate in Article 6 projects;

(c) The project type is eligible under Article 6;

(d) [Objections][Comments] by stakeholders have been considered;

(e) The baseline complies with modalities and procedures specified in this document [and in the [UNFCCC Article 6 reference manual][appendix B]];

(f) The project would provide a reduction in anthropogenic emissions by sources, [or an enhancement of anthropogenic removals by sinks] that is additional to any that would occur in the absence of the proposed project, and would [contribute to][provide] real, measurable, and long-term benefits related to the mitigation of climate change;

(g) Provisions for monitoring, verification and reporting of [relevant] project performance [indicators] are adequate and in accordance with provisions in this document [and [UNFCCC Article 6 reference manual][appendix B]];

(h) [Public] funding for Article 6 project activities shall not result in a diversion of Global Environment Facility (GEF) [[and][or] other financial commitments of Parties included in Annex I], official development assistance (ODA) [[and] [or] financing from other systems of cooperation];

(i) The project activity conforms to [any] other requirements for Article 6 projects [contained in this document and the [UNFCCC Article 6 reference manual] [appendix B]].

45. The accredited independent entity shall provide the opportunity for comment, within XX days, on elements relating to environmental additionality, by [members of the public] [Parties and accredited non-governmental organizations] [resident in the host Party].

46. [The accredited independent entity shall [provide the project participants with a recommendation] [recommend to [the executive board]] that the project be registered as an Article 6 project if it determines that the project design, as documented, conforms with [the requirements for validation] [baseline and monitoring methodologies and other criteria contained in the [UNFCCC Article 6 reference manual][appendix B]].]

47. [If the accredited independent entity determines that the project design document includes new baseline or monitoring methodologies and if the project participants wish to have these methodologies validated, the independent entity shall assess the new methodologies against the requirements contained in the [UNFCCC Article 6 reference manual][appendix B]and, where appropriate, provide the project participants with a recommendation for the inclusion of these new methodologies in the [UNFCCC Article 6 reference manual][appendix B].]

48. The accredited independent entity shall inform project participants if it determines that the project design, as documented, does not fulfil the requirements for validation, explaining the reasons for non-acceptance and, where appropriate, provide recommendations for the modification of the methodologies used. A project that is not validated may be reconsidered for validation after appropriate revisions have been made to the project design document.

49. Project participants shall submit a validated Article 6 project to their governments for approval. The governments of the participating Parties shall indicate their formal acceptance of the validated project through a letter of endorsement from the designated national authority for Article 6.

(Note: Subparagraph 46 (a) above provides for government approval prior to validation. If paragraph 51 were retained, there would also be a post-validation government approval.)

(The following paragraphs describe types of Article 6 project activities.)

50. [Article 6 projects shall:

(a) Be based on the best available long-term environmental option, taking into account local and national needs and priorities;

(b) Lead to the transfer of state-of-the-art, environmentally safe and sound technology in addition to that required under other provisions of the Convention and the Protocol;

(c) Give priority to renewable energy, to energy efficiency technologies that are at the top end of efficiency practice anywhere, and to reducing emissions from the transportation sector;

(d) Not support the use of nuclear power;

(e) Not include activities enhancing anthropogenic or non-anthropogenic removals by sinks of greenhouse gases [until the outcome of methodological work on Article 3, paragraphs 3

and 4, is reached and the COP/MOP decides on the eligibility of such project activities in the CDM];

(f) [Give priority to carbon sequestration for the combating of desertification];

(g) [Not include types of project activities excluded by a decision of the COP/MOP due to concerns about, *inter alia*, their additionality, their overall environmental integrity, methodologies to estimate GHG levels for such projects or their potential to cause negative impacts in relation to the domains covered by other multilateral environmental agreements.]]

51. [A project initiated before the first session of the COP/MOP may only be eligible for validation and registration as an Article 6 project in cases where the project [commenced after [date]] [was reported as an activity implemented jointly under the pilot phase] if it meets the criteria and provisions regarding Article 6 contained in this document and in the [UNFCCC Article 6 reference manual][appendix B]. Following project validation and registration, resultant reductions in anthropogenic emissions by sources [and/or enhancements of anthropogenic removals by sinks] [from DD/MM/YYYY onwards] [from the date of the host Party's ratification of the Protocol or from DD/MM/YYYY, whichever is later,] will be eligible for [retrospective] certification and issuance of ERUs.]

52. [Implementation of Article 6 projects should be commenced at the same time as CDM project activities, on completion of the AIJ pilot phase but not later than after the first session of the COP/MOP.]

53. [Article 6 projects shall be project-based, carried out on a project-by-project basis and may be embedded in broader projects which are undertaken for reasons other than climate change. Several small-scale projects of the same kind may be bundled so as to be subject to a single transaction without losing their own project identity with respect to requirements for validation, verification and certification.]

54. The baseline for an Article 6 project is the future scenario of what the anthropogenic GHG emissions by sources or [anthropogenic removals by sinks] would be in the absence of the project, calculated using the validated baseline methodology for the project. A baseline shall cover anthropogenic emissions from sources listed in Annex A to the Protocol and anthropogenic removals by sinks and shall address all relevant greenhouse gases listed in Annex A to the Protocol.

(The following paragraphs refer to the determination of additionality.)

55. An Article 6 project is additional if it achieves:

(a) Emissions additionality. Emissions by anthropogenic sources shall be reduced below or anthropogenic removals by sinks shall be increased beyond those that would have occurred in the absence of the validated project, where the validated baseline is defined as the anthropogenic GHG emissions by sources or [anthropogenic removals by sinks] in the absence of the project activity;

(b) [Financial additionality. The project activity funding shall not result in a diversion of GEF, other financial commitments of Parties included in Annex I, ODA and other systems of cooperation;]

(c) [Investment additionality. The value of the ERUs shall significantly improve the financial and/or commercial viability of the project activity;]

(d) [Technology additionality. The technology used for the project activity shall be the best [available for the circumstances of the host Party] [practicable internationally].]

56. The [executive board] shall have final responsibility for determining the additionality of Article 6 projects. The [executive board] shall have the authority to review and audit decisions of the independent entities and, to the degree they find that projects would have been carried out anyway in the absence of Article 6, reject them.

(The following paragraphs address the criteria for real, measurable and long-term benefits related to the mitigation of climate change.)

57. [Anthropogenic emission reductions by sources or enhanced anthropogenic removals by sinks shall be considered real if the baseline takes adequate account of] [The baseline should take adequate account of]:

(a) The validated project boundary, defined as the space within which the project is implemented and its anthropogenic emissions by sources [or anthropogenic removals by sinks occur];

(b) Leakage due to the project, defined as the increase in anthropogenic emissions [or decrease in anthropogenic removals by sinks] outside the validated project boundary. Anthropogenic emission reductions by sources [or increases in anthropogenic removals by sinks] outside the validated project boundary which are due to the project cannot be credited to the project. Only leakage at the national or subnational level shall be taken into account;

(c) [Variations in actual activity levels during the year;]

58. [Except as provided for sequestration projects,] the emission reduction by an Article 6 project activity during a given year is the *ex post* calculation of baseline emissions less the actual emissions less leakage [or actual anthropogenic removals by sinks less baseline anthropogenic removals by sinks less leakage [and/or carbon stock] due to the Article 6 project during that year].

59. The emission reduction is measurable if:

(a) The actual anthropogenic GHG emissions by sources [or actual anthropogenic removals by sinks] after the project activity has been implemented can be measured and monitored, in accordance with provisions in this document and the [UNFCCC Article 6 reference manual][appendix B];

(b) The anthropogenic GHG emissions by sources [or enhancement of anthropogenic removals by sinks] baseline is calculated using the registered methodology.

60. [The benefits of a project related to the mitigation of climate change shall be considered long-term if the emission reduction persists over an appropriate period of time, taking into account the lifespans of different Article 6 projects, and bearing in mind Article 2 of the Convention.]

(The following paragraphs refer to the crediting period for an Article 6 project activity.)

61. The crediting period for a project is the period of validity of the validated baseline defined as the shortest of (a) the operational life of the project activity; (b) [x] years; and (c) the period proposed by the project participants. The crediting period of a project may be extended by a validated revision of the baseline. [Factors in baseline determination which are subject to revision at the end of the crediting period should be identified at the outset].

(The following paragraphs cover modalities for the setting and revision of baselines.)

62. [The establishment of baselines shall be guided by the principles of reliability, transparency and completeness.]

63. Baselines shall be established in accordance with provisions in this document [and in the [UNFCCC Article 6 reference manual]]. Types of baselines considered for Article 6 project activities shall include:

(a) A project-specific baseline which establishes the anthropogenic emissions by sources [and/or anthropogenic removals by sinks] for a specific reference case that represents what would occur in the absence of the project [which is unique to the project]. However, the methodology to calculate the baseline could be applied to other projects if appropriate;

(b) A [multi-project] [standardized] baseline for a given project type and specific geographic area, which will use a performance standard approved by the [executive board] and contained in the [UNFCCC Article 6 reference manual][appendix B].

64. The choice of approaches, assumptions, methodologies, parameters, data sources and key factors for the determination of the project baseline and additionality shall be explained in a transparent manner by project participants in the project design document to facilitate project activity validation and to facilitate replication.

65. The baseline for a project to reduce anthropogenic emissions by an *existing source* should, taking into account trends, represent the lowest of:

(a) Existing actual emissions prior to the project;

(b) The least-cost technology for the activity;

(c) Current industry practice in the host country or an appropriate region;

(d) [The average for such an existing source in Annex [I] [II] Parties].

66. The baseline for a project to reduce anthropogenic emissions by a *new source* should, taking into account trends, represent the lowest of:

(a) The least-cost technology for such a new source;

(b) Current industry practice in the host country or an appropriate region for new sources;

(c) The average for such a new source in Annex [I] [II] Parties.

67. Project design and calculation of a baseline for a land-use, land-use change and forestry project to reduce anthropogenic emissions by sources [and/or enhance anthropogenic removals by sinks] will need to address:

(a) Project duration;

(b) Types of baselines (i.e. project-by-project, multi-project);

(c) Issues of permanence and leakage;

(d) Environmental additionality.

68. Methodologies and approaches to deal with project design and baselines for land-use, land-use change and forestry projects shall be those approved by the [executive board].

69. [A [standardized] [multi-project] baseline must be set to ...

Option 1: the average of Annex [I][II] emissions for such project types.

Option 2: reasonable better-than-average current industry practice [and trends] for existing or new sources, as appropriate.

Option 3: [[x] per cent lower than a comparable validated project-specific baseline].]

70. [The [executive board] shall give priority to developing [standardized] [multi-project] baselines for projects below a specified size whose estimated emission reductions are less than AAA tonnes per year or BBB tonnes over their crediting period.]

71. [Any project whose estimated emission reductions exceed CCC tonnes per year or DDD tonnes over its crediting period shall use a project-specific baseline.]

72. [Relevant national policies and circumstances, including, *inter alia*, sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector, shall be considered in the development of a project baseline.]

73. The baseline shall ensure that the project does not benefit from national [policies which do not contribute to the ultimate goal of the Convention] [policies and practices which encourage activities that lead to greater levels of anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol than would otherwise occur].

(Note: Parties may wish to consider whether and how existing national legislation and regulation should be reflected in the determination of baselines.)

74. Option 1: [During a crediting period the validated baseline methodology of a project shall not be subject to revision except if recommended by an accredited independent entity verifying the emission reductions.]

Option 2: Once registered, a baseline shall remain in effect for the crediting period of the project. If the operational life of the project exceeds the crediting period, a new baseline shall be validated at the end of each crediting period upon request of project participants.

75. [A project-specific or [standardized] [multi-project] baseline methodology, contained in the [UNFCCC Article 6 reference manual][appendix B], may be revised at any time by the [executive board]. Any revision shall only be relevant to baselines validated subsequent to the time of revision and therefore shall not affect existing registered projects during their crediting period.]

H. Registration

(Note: Some Parties suggest merging the function of registration with that of validation.)

Option A:

(Note: There is no need for this section.)

Option B (paras 76 and 77):

76. Registration is the formal [acceptance] [acknowledgement] by [the executive board] [by the Parties] of a [validated] project proposal as an Article 6 project.

77. Option 1: [A Party may develop its own procedures and criteria for project registration.]

Option 2: Participating Parties shall maintain registries of ongoing Article 6 projects as well as of completed projects up to the end of the next commitment period after the completion of the project.

Option *B*C (paras 78 to 84):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

Option A (paras 78 and 79):

78. Registration is the formal [acceptance] [acknowledgement] by [the executive board] of a validated project proposal as an Article 6 project.

79. Registration of a project is a prerequisite for the verification, certification and issuance of ERUs related to that project.

Option B (paras 80 and 81):

80. [Project participants shall submit to the [executive board] a request for registration, including the validated project design document and the recommendation of the accredited independent entity.]

81. [The [executive board] shall:

(a) At the request of the project participants, register a validated Article 6 project by publishing the request for registration and assigning a unique identification number to the project, unless objections are raised in accordance with the following provisions:

(i) Objections may be submitted within YY days of the publication of the registration request and the validated project design document by the [executive board];

(ii) The [executive board] shall decide on the registration of the project within ZZ days of the deadline for the submission of objections;

(iii) The [executive board] shall inform the project participants of its decision and provide reasons if the registration request is declined;

(iv) Objections may only be submitted by Parties, [accredited observers to the UNFCCC] [and legal entities];

(Note: This is in addition to stakeholder objections being considered in the project design document and validation process.)

(v) In the case of new baseline or monitoring methodologies submitted by project participants with a recommendation of an accredited independent entity,

(vi) Publish such a request together with the recommendation of the accredited independent entity and allow YY days for public comment;

(vii) Accept, accept with modifications, or reject the proposed new methodology, based on the information received and any independent research it deems appropriate, within XX days of the closing date for public comments;

(viii) Inform the project participants of its decision and provide reasons if the registration request is declined or modified;

(ix) Register the project and assign an identification number to the project as defined in decision D/CP.6.

(b) [Revise the UNFCCC Article 6 reference manual to reflect its decisions].]

Option C (paras 82 and 83)

82. The independent entity shall submit to the [executive board] its registration decision on an Article 6 project, along with the project design document and any comments received, and shall make it publicly available.

83. The registration decision shall be considered final after [60] days from the date of receipt of the request unless a Party involved in the project, or at least [x] [Parties] on [*members of*] the [executive board], request a review of the registration decision by the executive board. Such a request shall be made in accordance with the following provisions:

(a) Requests for reviews shall be limited to issues associated with the applicability of the baseline methodology or multi-project baseline to the project, the monitoring plan, or other issues relating to environmental additionality;

(b) Upon receipt of a request for review in accordance with this paragraph, the [executive board] shall perform a review in accordance with this paragraph and determine whether the proposed registration should be approved;

(c) The [executive board] shall complete its review expeditiously, and in any case no later than the [second] meeting following its receipt of a request for review;

(d) The [executive board] shall inform the project participants of its determination, and make its determination and the reasons for it publicly available.

84. [A project that is not accepted may be reconsidered for validation and subsequent registration after appropriate revisions have been made to the project design document.]

I. Monitoring

Option A:

(Note: There is no need for this section.)

Option B (para 85):

85. [A Party may develop its own procedures and criteria for monitoring. Project participants shall agree on the monitoring of project activity, according to the national guidelines for project cycle.]

Option *B*C (paras 86 to 91)

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

86. Project participants shall ensure the implementation of the approved monitoring plan contained in the project [design document] [proposal]. Project participants shall report all data collected to [the Parties involved] [an independent entity] for verification purposes[, as applicable]. A systematic surveillance and measurement of aspects related to the implementation and the performance of the project shall be sufficient to enable measurement and calculation of anthropogenic emission reductions by sources and/or anthropogenic enhancements of removals by sinks. Methodologies for monitoring shall be standardized.

87. A third party may provide assistance to project participants in implementing the approved monitoring plan. Any such third party shall operate under the responsibility of the project participants[and shall be independent of the independent entities involved in the project validation, verification or certification].

88. Monitoring shall include:

(a) Anthropogenic greenhouse gas emissions by sources [and/or anthropogenic removals by sinks] associated with the Article 6 project;

(b) Parameters related to the determination of baseline anthropogenic emissions by sources [and/or anthropogenic removals by sinks]. [This may include monitoring parameters outside the project activity boundaries to capture leakage effects [,]at the national or subnational level]];

(c) [Other relevant impacts of the Article 6 project (environmental, economic, social and cultural impacts).]

89. Revisions to the monitoring plan require justification by project participants and shall be validated by [the Parties involved] [an independent entity] [subject to any guidance by the [executive board]]. Proposed changes to monitoring practices shall be approved by an independent entity [subject to guidance by the [executive board]].

(The following paragraphs refer to quality criteria for monitoring methodologies.)

90. Monitoring related to Article 6 projects shall be accurate, consistent, comparable, complete, transparent and valid and shall be based on good practice. In this context:

Accuracy is a relative measure of the exactness with which the true value of a performance indicator can be monitored or determined. Estimates and monitored performance indicators should be accurate in the sense that they are systematically neither over nor under their true values, as far as can be judged, and that uncertainties are reduced as far as practicable;

Consistency means that the monitoring plan is internally consistent in all its elements and its performance indicators over time. Monitoring is consistent if the same performance indicators are used and the same assumptions and methodologies are applied to monitor these indicators over time. The requirement for consistency should not inhibit changes to monitoring practices that improve accuracy and/or completeness;

Comparability means that estimates of anthropogenic emissions by sources [and anthropogenic removals by sinks] should be comparable between the baseline and the project

activity, and across projects. [For this purpose, project participants should use methodologies and formats listed in the [UNFCCC Article 6 reference manual][appendix B];]

Completeness means that monitoring covers, for the project baseline, and actual anthropogenic emissions by sources [and/or anthropogenic removals by sinks], all relevant GHGs and sector and source categories listed in Annex A to the Protocol. Completeness also means covering all relevant performance indicators both within and outside the project boundary. [Monitoring operations should also provide a sound basis for assessing the contribution of the activity to sustainable development;]

Transparency means that assumptions, formulae, methodologies and data sources are clearly explained and documented to facilitate consistent and replicable monitoring activities as well as assessment of the reported information. The transparency of monitoring data and methodologies is fundamental to the credible verification and subsequent certification of achieved results and the issuance of ERUs;

Validity means that performance indicators give a real measure of achieved results. Monitoring shall therefore be based on indicators that will give an observable and real picture of project activity performance;

Good practice means performance at least equivalent to the most cost-effective commercially applied monitoring methodologies. These monitoring methodologies shall be listed in the [UNFCCC Article 6 reference manual][appendix B] and shall be updated [continuously] [periodically] to take into account [by COP/MOP] changes in technologies and [best practices].

91. Implementation of the approved monitoring plan, and its validated revisions as applicable, shall be a condition for [verification, certification and the issuance of ERUs] [the assignment of a serial number to ERUs attributed to a Article 6 project activity].

J. Verification

Option A (paras 92 to 127):

92. ***(Note: The content of the former paragraph is reflected in paragraph 23 in order to avoid duplication.)***

93. **A Party hosting a project under Article 6 should submit to the secretariat a report containing: any national guidelines and procedures for obtaining such project approval, for monitoring and verifying emission reductions in anthropogenic *emissions* by sources [or enhancements of anthropogenic removals by sinks], comments by stakeholders, and for transferring [or acquiring] ERUs.** [This ***Such a*** **Party should also submit periodic information in accordance with appendix C.]]**

94. **[The Party should submit to the secretariat such subsequent reports as may be appropriate to identify any significant changes in its focal point of contact or national guidelines and procedures.]**

95. ***(Note: The content of the former paragraph is reflected in paragraph 22 in order to avoid duplication.)***

96. **A [host] Party may transfer ERUs [associated with reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks]] [that have been][if they are] verified as additional [to any that would otherwise occur,] in accordance with the provisions of Article 6.1(b), through one of the procedures set forth in paragraph 98.**

97. **[Information on the project associated with each ERU transferred shall be made publicly available by the hosting Party, through the secretariat, on the basis of the uniform reporting format as set forth in appendix C.]**

98. **Reductions in anthropogenic emissions by sources [or *enhanced* anthropogenic removals by sinks] for Article 6 projects shall be verified either:**

(a) **By the Parties involved, if the host Party at the time of verification is eligible under paragraph 99; or**

(b) **Through the verification procedure as provided for under paragraphs [101 to 115][116 to 127].**

99. **A Party hosting a project under Article 6 may transfer ERUs, according to paragraphs 97 and 99 (a), if the Party has submitted a report to the secretariat documenting that it meets the [requirements][conditions] in paragraph 18, subparagraph (a) through (d),[and (f)] [and paragraph 21] and if:**

(a) **[XX] months[20] have elapsed since the submission of a report to the secretariat documenting that it meets the requirements in paragraph 18, subparagraphs (a) through (d),[and (f)] [and paragraph 21] unless the Compliance [Committee] has found that it has not met one or more of such requirements; or**

(b) **At an earlier date if [the enforcement branch of] the Compliance [Committee] has notified the secretariat that it is not proceeding[21] with any question of implementation relating to the requirements in paragraph 18, subparagraphs (a) through (d),[and (f)] [and paragraph 21].**

100. **Such Party [will remain qualified] [may transfer ERUs according to [paragraph 96] unless and until the Compliance [Committee] has found that it has not met one or more of the [requirements][conditions] in paragraph 18, subparagraphs (a) through (d),[and (f)] [and paragraph 21]. If the Compliance [Committee] has found that a Party does not meet one or more such [requirements][conditions], the Party shall become qualified again only if and when the Compliance [Committee] [finds that the Party meets such conditions and therefore reinstates its qualification][has found that it has meet those requirements].**

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[20] **A specified time period sufficient to allow the Article 8 expert review teams and the Compliance [..] a reasonable opportunity to identify an rule upon any problems.**

[21] **It will need to be made clear that this refers to an enforcement proceeding, rather than a facilitative process.**

Option 1 (paras 101 to 115):

101. **Any provisions relating to** the **liability** ***provisions*** of parts of assigned amounts acquired **under Article 17 shall apply** ***mutatis mutandis*** **to acquisitions of ERUs if verification was carried out by provisions 98 subparagraph (a).**[22]

102. **Any provisions on national systems for the participation of legal entities under Article 17 as set out in appendix ... shall apply to Article 6 projects.**

103. **A Party hosting a project in accordance with paragraph 98 subparagraph (a) shall submit to the secretariat a report containing the national guidelines and procedures for obtaining a project approval.**

104. **A Party hosting a project in accordance with paragraph 98 subparagraph (b) shall submit to the secretariat a report containing: any national guidelines and procedures for obtaining a project approval, for monitoring and verifying emission reductions in anthropogenic emissions by sources [or enhancement of anthropogenic removals by sinks], for comments by stakeholders, and for transferring ERUs.**

(Note: Paragraphs 103, 104, 94 and 94 could be further consolidated.)

105. **Verification is the two step process of evaluation of the project activity by an accredited independent entity against requirements of Article 6 projects activities on the basis of:**

(a) **A project design document as set forth in paragraph 106 to 111; and**

(b) **A document indicating the reductions of anthropogenic emissions by sources [or enhancements of anthropogenic removal by sinks] achieved as set forth in paragraphs 112 to 114).**

106. **Project participants shall submit to an accredited independent entity a project design document for verification in accordance with appendix C.**

107. **The project design document shall contain all information needed for the determination whether the project has been approved by the Parties involved, has an appropriate baseline, an appropriate monitoring plan, in accordance with the** ***criteria for*** **baseline and monitoring** criteria **set forth in appendix B.**

108. **The independent entity shall make the project design document publicly available through the secretariat, subject to confidentiality provisions set forth in paragraph 115.**

109. **The independent entity shall receive comments from Parties and stakeholders on the project design document and any supporting information for [60] days from the date the project design document is made publicly available.**

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[22] **Pending the result on liability options under Article 17.**

110. ***An* independent entity shall make its determinations publicly available, through the secretariat, together with an explanation of its reasons, including a summary of comments by stakeholders and an assessment of how due account has been taken of these.**

111. **The verification of the project design document shall be deemed final [30] days after the date on which its determination is made public, unless the Party [hosting] [involved in] the project or [x] other Parties request a review by [an appropriate body]. If such a review is requested, the [appropriate body] shall review the determination as soon as possible, but no later than [...]. The [appropriate body] shall make its decision publicly available. Its decision shall be final.**

112. **On the basis of a uniform reporting format, as set forth in appendix C, the host Party shall submit a document to the independent entity containing information whether reported reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] were monitored and calculated in accordance with the appropiate baseline and monitoring plan.**

113. **The independent entity shall:**

(a) **Review and determine the reduction in emissions *or enhancements of removals* based on the project data and information provided in the submitted document defined/set forth in paragraph 107;**

(b) **Identify any concerns related to *the* conformity of the actual project activity and its operation with the [final] project design document. The independent entity shall inform the project participants of any such concerns. Project participants may address the concerns and supply any additional information; and**

(c) **Provide a verification report, including its determinations, to the project participants and the Parties involved.**

114. **Make its verification report, including determinations, publicly available through the secretariat, together with an explanation of its reasons.**

115. When **The independent entity** makes its report, it **shall make its report and the project design document publicly available through the secretariat. Except as required by national law, independent entities shall not disclose information regarding projects that has been marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or other data relating to whether *anthropogenic* reductions by sources [or *enhancement of anthropogenic* removals] are additional shall not be considered confidential.**

Option 2 (para 116 to 127):

116. **At [a][the] request of a Party involved in a project, a verification team shall be constituted in accordance with appendix...**

117. **Project participants shall submit to the verification team a project design document, which contains all information needed for the determination whether the project has been**

approved by the Parties involved, [and] has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the criteria set out in appendix ...

118. **A verification team shall make the project design document publicly available through the secretariat, subject to confidentiality provisions set out in paragraph 125.**

119. **[A verification team shall receive comments from Parties and [UNFCCC accredited non-governmental organizations/stakeholders] on the project design document and any supporting information for [60] days from the date the project design documents *was* made publicly available.]**

120. **A verification team shall make its determination on whether the project has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the [baseline, monitoring plan and crediting lifetime] criteria set out in appendix .... It shall make its determination publicly available through the secretariat, together with an explanation of its reasons addressing any significant issues raised. A determination of the appropriate baseline under this paragraph shall remain valid for the crediting lifetime of the project.**

121. **For the purpose of verifying anthropogenic reductions in emissions by sources [or enhancements of anthropogenic removals by sinks] that have been achieved in accordance with paragraph 98 subparagraph (b) [a Party involved in a project][the project participants] shall submit information, according to the reporting format set forth in appendix ..., to demonstrate that such anthropogenic emission reductions by sources or enhanced anthropogenic removals by sinks were monitored and calculated in accordance with the appropriate baseline, monitoring plan, and crediting lifetime.**

122. **A verification team shall review a project and make a determination as to whether any reported anthropogenic reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] were monitored and calculated in accordance with the appropriate baseline and monitoring plan [and crediting lifetime], and if so, the amount of anthropogenic emission reductions by sources or enhanced anthropogenic removals by sinks that have been achieved, stated in terms of metric tonnes of carbon dioxide equivalent. [The verification team shall make its determination publicly available through the secretariat, together with an explanation of its reasons.]**

123. **[A verification determination [of the project design document or of any reported reductions in anthropogenic emissions by sources [or anthropogenic enhancements of removals by sinks] shall be deemed final [30] days after the date on which it is made public, unless the Party [hosting] [involved in] the project or [x] other Parties request a review by [an appropriate body]. If such a review is requested the [appropriate body] shall review the determination as soon as possible, but no later than [...]. The [appropriate body] shall make its decision publicly available. Its decision shall be final.]**

124. **A Party hosting a project activity that is subject to the procedure specified in paragraphs 116 to [122] [123] may transfer ERUs only when a determination is made in accordance with paragraph [122] [123], and may not transfer a number of ERUs exceeding the number of metric tonnes of carbon dioxide equivalent identified in [122] *or [123].***

125. **Information on the project associated with each ERU shall be made public through an electronic link with the project identifier,** described in paragraph 140 ***in accordance with the provisions on registries.***

126. **Except as required by national law, a verification team [or the appropriate body] shall not disclose information regarding projects that has been marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or other data relating to whether** of **anthropogenic emission reductions by sources or enhanced anthropogenic removals by sinks are additional shall not be considered confidential.**

127. **Parties involved in a project may elect to use the procedure set out in paragraphs 116 to [122] [123] at any time.**

Option B (paras 128 to 130):

128. Each Party involved in an Article 6 project shall report information on the project.

Reporting format (*Note: to be drafted*).

129. The reporting by Parties on Article 6 projects will include, for each project:

(a) The baseline as agreed between the Parties involved;

(b) The calculation of the reduction in anthropogenic greenhouse gas emissions by sources [or the enhancement of anthropogenic removals by sinks] for the year;

(c) Transfers and acquisitions of emission reduction units during the year, including for each unit, the serial number and the Party's registry to which it was transferred or from which it was acquired;

(d) Any emission reduction units (identified by serial number) that have been retired that year;

(e) Any [AAUs][PAAs] that have been subtracted from Party's Assigned Amount.

130. A Party participating in an Article 6 project may develop its own internal mechanisms for verifying a reduction in anthropogenic emissions by sources [or an anthropogenic enhancement of removals by sinks].

A review process (*Note: to be drafted*).

Option C (paras132 and 133):

131. Verification is the periodic independent review and *ex post* determination by an independent entity of the monitored anthropogenic emission reductions by sources and/or enhancements of anthropogenic removals by sinks that have occurred as a result of an approved project during the verification period[.][, according to the guidelines agreed by the participating Parties.]

132. [The anthropogenic emission reductions or enhancements of anthropogenic removals by sinks for a Article 6 project may be verified in accordance with mechanisms developed by the host Party.]

Option *B*D (paras 133 and 134):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

133. Verification is the periodic independent review and *ex post* determination by an independent entity of the monitored anthropogenic emission reductions by sources and/or enhancements of anthropogenic removals by sinks that have occurred as a result of an approved project during the verification period.

134. The independent entity [selected by the project participants][assigned by the executive board] to perform the verification shall:

(a) Determine whether the project documentation provided is in accordance with the requirements of the approved project design document;

(b) Conduct on-site inspections, as appropriate, which may comprise, *inter alia*, a review of performance records, interviews with project participants and stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;

(c) If appropriate, use additional data from other sources;

(d) Review and determine the reduction in anthropogenic emissions by sources [and/or enhancements of anthropogenic removals by sinks] based on the data and information used in (a) and obtained through (b) and/or (c), as appropriate, using calculation procedures consistent with those contained in the registered project design documents;

(e) Identify any concerns related to conformity of the actual project activity and its operation with the registered project design document. The independent entity shall inform the project participants of any such concerns. Project participants may address the concerns and supply any additional information;

(f) Recommend to the project participants appropriate changes to the monitoring methodology;

(g) Provide a verification report to the project participants, the Parties involved[, the independent entity responsible for validation of the Article 6 project activity] and the [executive board]. The [executive board] shall publish the report.

K. Certification

(Note: Some Parties suggest merging the function of certification with that of verification.)

Option A:

(Note: There is no need for this section.)

Option B (paras 135 and 136):

135. Certification is the written assurance by an independent entity that, during a specific time period, a project achieved its anthropogenic emission reductions by sources and/or enhanced anthropogenic removals by sinks [and other performance indicators], as verified.

136. [A Party may develop its own procedures and criteria for certification.]

Option *B*C (paras 137 to 140):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

137. Certification is the written assurance by an independent entity that, during a specific time period, a project achieved its anthropogenic emission reductions by sources and/or enhanced anthropogenic removals by sinks and other performance indicators, as verified.

138. [Project participants shall submit a request for certification for a specific time-period to an independent entity, accompanied by, *inter alia*, the validated project design document and verification reports for the specific period.]

139. The independent entity shall certify in writing that, during the specific time-period, the project achieved anthropogenic emission reductions by sources and/or enhanced anthropogenic removals by sinks, as verified. It shall inform the project participants [and the executive board] of its decision in writing immediately upon completion of the certification process and publish the decision in accordance with decision D/CP.6.

140. Emission reductions from a validated baseline resulting from an approved project shall be certified, after they have occurred, only if:

(a) [[The project participants apply] [A project participant applies] for the certification of the emission reductions resulting from the project for a specific time-period];

(b) [The emission reductions [and other performance indicators] have been verified and a verification report has been submitted];

(c) [All Parties and legal entities involved were eligible to participate in Article 6 activities during the verification period.]

L. Issuance of emission reduction units

(Note: Some Parties have suggested that issues of fraud, malfeasance or incompetence of independent entities that come to light at this stage may need to be addressed.)

141. [The ERUs and the assigned amount are unlike concepts. There is no fungibility between ERUs and the assigned amount.]

Option A (para 142:

142. **[Transfers and acquisitions]/*[Issuance]* of ERUs shall be made by adding a project identifier to the serial number of the unit of assigned amount in the registry of the *transferring* host Party, then removing the unit from the national registry of the *transferring* host Party and adding it to the national registry of the acquiring Party.**

Option A (para 143):

143. The Party in which the project activity site is located shall issue ERUs by converting [AAUs][PAAs][16] to ERUs and transferring them to Parties and/or entities participating in the project activity[, and subtract the same amount from its assigned amount] in accordance with the provisions on registries contained in decision D/CP.6 [and Article 3.11]. [Issuance shall be based on the anthropogenic emission reductions by sources or enhancement of anthropogenic removals by sinks of the project, as verified and certified in accordance with [the Party's procedures and criteria][the verification protocol agreed upon by the Parties involved].] The ERUs shall be distributed among the project participants according to their agreement.

Option *B*C (paras 144 and 145):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

144. Project participants shall submit to the [executive board] a request for issuance of ERUs, accompanied by a notification of their certification by an independent entity.

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[16] [An 'assigned amount unit' (AAU)] [A 'part of assigned amount' (PAA)] is defined in accordance with decision D/CP.6.

145. The [executive board] shall [, provided that no objection is raised by a Party involved in the Article 6 project activity[, accredited observers to the UNFCCC][and legal entities]]:

(a) Convert AAUs to ERUs, in accordance with decision D/CP.6, in respect of the anthropogenic emission reductions by sources and/or enhanced anthropogenic removals by sinks resulting from a registered project for a specific time period;

(b) Allocate ERUs to the registry accounts of [project participants] [Parties participating in the project], as specified by [project participants] [the Parties involved], [less the share of proceeds to cover administrative expenses and to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation].

Appendix X (to the annex to decision A/CP.6 on Article 6)

[Supplementarity

(Note: In the interest of further consolidating the text, the former option 3 – now option 2 – is presented below as originally submitted.)

Limits on acquisitions

1. Option 1: No elaboration of the term "supplemental".

Option 21: Parties included in Annex I shall not primarily use extraterritorial means to fulfil their obligations under Article 3. Quantitative or qualitative rules and guidelines shall be developed in the context of policies and measures under Article 2 and demonstrable progress under Article 3, paragraph 2, that would be subject to the Protocol's reporting, in-depth review and non-compliance procedures, which would be empowered to suspend the right of a Party to access mechanisms pursuant to Article 6, 12 and 17 in circumstances where it has failed to demonstrate that its domestic efforts form the primary means of achieving its quantified emission limitation and reduction commitment.

Option 32 (1): Net acquisitions by a Party included in Annex I for all three mechanisms pursuant to Articles 6, 12 and 17 together must not exceed the higher of the following alternatives:

5 per cent of: $\frac{\text{its base year emissions multiplied by 5 plus its assigned amount}}{2}$

(where 'base year emissions' may be replaced by 'average annual emissions in the base period, as provided for in Article 3, paragraph 5');

- **50 per cent of: the difference between its annual actual emissions in any year of the period from 1994 to 2002, multiplied by 5, and its assigned amount.**

However, the ceiling on net [transfers][acquisitions] can be increased to the extent that a Party included in Annex I achieves emission reductions larger than the relevant ceiling in the commitment period through domestic action undertaken after 1993, if demonstrated by the Party in a verifiable manner and subject to the expert review process to be developed under Article 8.

Option 2 (1): **Net [transfers][acquisitions] by a Party included in Annex I for all three mechanisms pursuant to Articles 6, 12 and 17 together must not exceed:**

5 per cent of: $\frac{\text{its base year emissions multiplied by 5 plus its assigned amount}}{2}$

(where 'base year emissions' may be replaced by 'average annual emissions in the base period, as provided for in Article 3, paragraph 5').

However, the ceiling on net [transfers][acquisitions] can be increased to the extent that a Party included in Annex I achieves emission reductions larger than the relevant ceiling in the commitment period through domestic action undertaken after 1993, if demonstrated by the Party in a verifiable manner and subject to the expert review process to be developed under Article 8.

Option 3 (ii): The overall 'cap' on the use of the three mechanisms pursuant to Articles 6, 12 and 17 should not exceed 25-30 per cent.

Option 43: **Access to Article 6 by a Party included in Annex I is contingent on [satisfaction of prescribed domestic effort in fulfillment of commitments]** [domestic policies and measures being the principal means of achieving its quantified emission limitation and reduction commitment] **under Article 3.** ***A concrete ceiling for the total ERUs acquired from projects under Article 6 shall be defined in quantitative and qualitative terms based on equitable criteria.*** [A quantified ceiling on the emissions limited and reduced through the mechanisms pursuant to Articles 6, 12 and 17 shall be defined. Commensurate non-compliance processes must be prescribed].

Option 5: It is necessary to set limits on the use of mechanisms pursuant to Articles 6, 12 and 17 to meet emission targets in the first commitment period. However, if objective criteria to prevent hot air are established, it might be reasonable to remove limits in the second and third commitment periods.

[Limits on transfers

2. Option 1: (Note: There is no basis in the Protocol for limits on transfers)

Option 2: Parties included in Annex I shall not primarily use extraterritorial means to fulfil their obligations under Article 3. Quantitative or qualitative rules and guidelines shall be developed in the context of policies and measures under Article 2 and demonstrable progress under Article 3, paragraph 2, that would be subject to the Protocol's reporting, in-depth review and non-compliance procedures, which would be empowered to suspend the right of a Party to access mechanisms pursuant to Articles 6, 12 and 17 in circumstances where it has failed to demonstrate that its domestic efforts form the primary means of achieving its quantified emission limitation and reduction commitment;

Option 3 (i): Net transfers by a Party included in Annex I for all three mechanisms pursuant to Articles 6, 12 and 17 together must not exceed:

$$5 \text{ per cent of: } \frac{\text{its base year emissions multiplied by 5 plus its assigned amount}}{2}$$

(where 'base year emissions' may be replaced by 'average annual emissions in the base period, as provided for in Article 3, paragraph 5').

However, the ceiling on net transfers can be increased to the extent that a Party included in Annex I achieves emission reductions larger than the relevant ceiling in the commitment

period through domestic action undertaken after 1993, if demonstrated by the Party in a verifiable manner and subject to the expert review process to be developed under Article 8.

Option 3 (ii): The overall 'cap' on the use of the three mechanisms pursuant to Articles 6, 12 and 17 should not exceed 25-30 per cent.

Option 4: Access to Article 6 by a Party included in Annex I is contingent on [satisfaction of prescribed domestic effort in fulfillment of commitments"] [domestic policies and measures being the principal means of achieving its quantified emission limitation and reduction commitments] under Article 3. A quantified ceiling on the emissions limited and reduced through the mechanisms pursuant to Articles 6, 12 and 17 shall be defined. Commensurate non-compliance processes must be prescribed.

Option 5: It is necessary to set limits on the use of mechanisms pursuant to Article 6, 12 and 17 to meet emission targets in the first commitment period. However, if objective criteria to prevent hot air are established, it might be reasonable to remove limits in the second and third commitment periods.]

[Issues related to Article 4]

3. [Any limitations on the transfer or acquisition of ERUs under Article 6 shall apply to the allocation of emission levels under Article 4.]

4. **[Any limitations on** the ***net*** **transfers or acquisitions of ERUs under Article 6 shall apply to each individual Party operating under Article 4.]**

5. **[Re-allocations under Article 4 shall count against the limitations referred to in paragraph -- above.]/**

Appendix A (to the annex to decision A/CP.6 on Article 6)

Standards and procedures for the accreditation of independent entities

Option A:

(Note: There is no provision for independent entities under Article 6.)

Option B (paras 1 to 3):

(Note: Some Parties have proposed that [guidelines] for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)

(Note: Further consideration of standards beyond those contained in this option may be needed.)

1. The accreditation standards shall address, inter alia, issues such as:

(a) Certification procedures;

(b) A process system to demonstrate the application of certification procedures;

(c) A system for the control of all documentation relating to validation, verification and certification;

(d) A professional code of practice, appeal and complaints procedures;

(e) Relevant expertise and competence of an independent entity;

(f) Independence of an independent entity;

(g) Insurance coverage of an independent entity.

2. An applicant independent entity shall meet the following organizational requirements:

(a) Be a [legal entity] (either a domestic legal entity or an international organization) and provide documentation of this status to the accreditation body;

(b) Employ a sufficient number of persons having the necessary competence to perform relevant validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions, including among others, procedures for the allocation of responsibility within the organization and procedures for handling complaints; these procedures shall be publicly available;

(f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by [COP] [COP/MOP], in particular have sufficient knowledge and understanding of:

(i) The rules, modalities, procedures and [***[guidelines]***] for the operation of Article 6], relevant decisions of the COP and COP/MOP, and relevant guidance issued by the [executive board];

(ii) Environmental issues relevant to validation, verification and certification of Article 6 project activities;

(iii) The technical aspects of an Article 6 project activity relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and other environmental impacts;

(iv) Relevant environmental auditing requirements and methodologies;

(v) ...

(g) Have management that has overall responsibility for performance and implementation of the entity's functions, including management reviews, and decisions on validation, verification and certification. The applicant independent entity shall make available to the accreditation body:

(i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other personnel;

(ii) A structure chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;

(iii) Its policy and procedures for conducting management reviews;

(iv) Administrative procedures including documents control;

(v) Its policy and procedures for the recruitment and training of independent entity personnel, for ensuring their competence for validation, verification and certification functions, and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes.

3. An applicant independent entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner which shall include:

(i) Documented structure which safeguards impartiality, including provisions to ensure impartiality of its operations. This structure shall enable the meaningful participation of all stakeholders significantly concerned in the development of the Article 6 project activity;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any Article 6 project activity, the applicant independent entity shall:

- Make a declaration to the accreditation body of all the organization's actual and potential Article 6 project activities, indicating which part of the organization is involved and in which particular Article 6 activities;

- Clearly define to the accreditation body the links with other parts of the organization, demonstrating that no conflicts of interest exist;

- Demonstrate to the accreditation body that no actual or potential conflict of interest exists between its functions as an independent entity and any other functions that it may have, and shall demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the independent entity or from the activities of related bodies;

- Demonstrate to the accreditation body that it, together with its senior executive and staff, is free of any commercial, financial and other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

- Demonstrate to the accreditation body that it has policies and procedures for the resolution of complaints, appeals and disputes

received from organizations or other parties about the handling of its activities;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from Article 6 project participants and follow any procedures in this regard established by the COP/MOP. Except as required in the applicable procedures contained in COP/MOP decisions or by law, it shall not disclose information obtained from Article 6 project participants marked as proprietary or confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emissions data or other data used to determine emissions additionality shall not be considered confidential;

(c) In cases where the independent entity subcontracts work on validation, verification or certification to an external body or person, the independent entity shall:

(i) Take full responsibility for such subcontracted work and maintain its responsibility for granting or withdrawing validation/certification;

(ii) Draw up a properly documented agreement covering the arrangements;

(iii) Ensure that the subcontracted body or person is competent and complies with applicable provisions of this decision, in particular regarding confidentiality and conflict of interest;

(iv) Report its use of the subcontractor to the [executive board].

[Appendix B (to the annex to decision A/CP.6 on Article 6)

[Project proposal] [UNFCCC Article 6 reference manual]

(Note: The following paragraphs relate to information requirements for Article 6 project activities, in particular for the determination of baselines.)

Option A (paras 1 to 5):

1. An Article 6 project activity baseline may be either a project-specific or a multi-project baseline:

(a) A project-specific baseline establishes the anthropogenic emissions by sources [and/or anthropogenic removals by sinks] for a specific reference case that represents what would otherwise occur. Emissions and/or removals resulting from a project would be compared to the project-specific baseline to calculate net reductions or removals resulting from the project;

(b) A multi-project baseline establishes a performance standard (based on anthropogenic emissions by sources [and/or anthropogenic removals by sinks]) for a sector or source category for a specific geographic area that represents what would otherwise occur. Emissions and/or removals resulting from a project within the same sector or source category and same geographic area would be compared to the multi-project baseline to calculate net reductions or removals resulting from the project.

2. Baselines for project activities must encompass all relevant gases covered by the Protocol in the context of the specific project expressed in CO_2 equivalent terms using the global warming potentials (GWPs) defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5, as appropriate.

3. The Parties involved in the Article 6 project activity may choose whether a project-specific baseline or multi-project baseline is more appropriate to the circumstances of the project.

4. Project-specific baselines shall consist of the following elements:

(a) The historic data set and/or a projection of future trends;

(b) The specific geographic area used as the reference case (e.g., subnational, national, regional group of countries, global);

(c) The project lifetime (i.e., time-period during which ERUs may accrue);

(d) Whether the baseline is static or dynamic (i.e., whether or not the baseline is designed to reflect trends or will be adjusted over time);

(e) The interval between updates and revisions of the baseline, if necessary;

(f) How the baseline deals with potential system boundary issues;

(g) Sufficient information to identify, and make fully transparent, all assumptions made that may affect the baseline.

5. Multi-project baselines shall include the following elements:

(a) (The level of aggregation (e.g., sector, subsector, technology);

(b) The historic data set and/or a projection of future trends;

(c) The specific geographic area covered by the baseline (e.g., subnational, national, regional group of countries, global);

(d) Whether the baseline is static or dynamic (i.e., whether or not the baseline is designed to reflect trends or will be adjusted over time);

(e) The interval between updates and revisions of the baseline, if necessary;

(f) How the baseline deals with potential system boundary issues;

(g) Sufficient information to identify, and make fully transparent, all assumptions made that may affect the baseline.

Option B (para 6):

(Note: Some Parties have proposed that [guidelines] ***for the implementation for Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions on the modalities and procedures for Article 12 project activities is reached.)***

6. The project proposal shall contain for project-specific or [multi-project] [standardized] baseline methodologies:

(a) The goal and context of the project;

(b) A description of the project:
- (i) Project purpose;
- (ii) Project boundaries;
- (iii) Technical description of the project;
- (iv) Information regarding project location and its region;
- (v) Key drivers affecting future developments relevant to the baseline;

(c) A proposed baseline methodology:
- (i) Description of the baseline calculation methodology;
- (ii) Justification indicating that the proposed baseline methodology is appropriate;
- (iii) Justification of proposed crediting period;
- (iv) The estimated operational life of the project;
- (v) Any other information required to make fully transparent the application [standardized] [multi-project] baseline to the specific project;

(vi) Description of key parameters and assumptions used in the baseline estimate;

(vii) Data sources to be used to calculate the baseline emissions, such as historic data on emissions, variables and parameters used;

(viii) Historic emissions for the activity;

(ix) Projection of baseline emissions and emissions reduction by year over the operational life of the project;

(x) Sensitivity analyses;

(xi) Uncertainties in a quantitative manner:

- Data;
- Assumptions;
- Key factors;
- Other;

(xii) Strengths and weaknesses of the proposed baseline methodology;

(d) Conclusions on the proposed baseline methodology;

(e) Monitoring plan:

(i) Project performance indicators both within and outside the project boundary;

(ii) Data needed for the project performance indicators and assessment of data quality;

(iii) Methodologies to be used for data collection and monitoring;

(iv) Assessment of the accuracy, comparability, completeness and validity of the proposed monitoring methodology;

(v) Quality assurance and quality control provisions for the monitoring methodology, recording and reporting;

(vi) Description of how monitored data will be used to calculate the emissions reduced [or removed];

(f) References.

Option C (paras 7 to 12):

7. The UNFCCC Article 6 reference manual shall reflect the provisions and ***[guidelines]*** contained in this document and be updated [continuously][periodically] by the [executive board] [reflecting] decisions by the COP/MOP [and the executive board]. It shall take into account:

(a) Approval of new and revised baselines and monitoring methodologies in response to project submissions and recommendations of the independent entities;

(b) [Research and development by the [executive board] drawing upon organizations with relevant expertise as appropriate;]

(c) Input from other sources.

8. The [executive board] [COP/MOP] shall publish a UNFCCC Article 6 reference manual which shall include:

(a) The information required to be provided to support a project-specific baseline calculation methodology;

(b) Information on each approved [standardized] [multi-project] baseline, including

(i) The criteria a project shall meet to be eligible to use the [standardized] [multi-project] baseline (e.g. technology, sector, geographic area);

(ii) The crediting period;

(iii) The approved baseline calculation methodology;

(iv) How the baseline methodology deals with potential project boundary issues, including, if available, standard leakage correction factors and the rules for their application;

(c) The format of the project design document (see annex to this appendix);

(d) Any other information needed to apply the approved baseline methodology;

(e) [Monitoring guidelines for different project types and good practice standards for each monitoring methodology;]

(f) [Unified reporting formats per project type, with specified data and reporting requirements, as necessary;]

(g) [Guidance on how to use sensitivity analysis;]

(h) [Best practice] examples for the determination of baselines, per project type;

(i) [...].

(Note: Paragraphs 9 to 12 refer to the project design document required under option C above.)

9. A project activity to be validated shall be described in detail in a project design document approved by [each Party involved] [the host Party] and submitted to an independent entity. The part of the project design document relating to the baseline shall provide the project validator with a complete understanding of the chosen baseline.

10. The content and structure of the [project design document][Information to be submitted by project participants for project approval] shall include the following:

(a) [A letter from the designated focal point of contact in [each Party involved] [the host Party] indicating formal acceptance of the proposed];

(b) A short summary of the purpose and context of the project;

(c) A description of the project:

(i) Project purpose including actors involved in the design and execution of projects;

(ii) [Policy and institutional context:

- Policy standards of the host country for the sectors involved;
- The host country's legal framework;
- The social actors involved in the design and execution of projects];

(iii) Technical description of the project [and a description of the transfer of technology], including viability of technological choices;

(iv) Information regarding project location and its region;

(v) Project boundaries;

(vi) Key parameters affecting future developments relevant to the baseline as well as the Article 6 project activity;

(vii) [Socio-economic aspects:

- Influence of the project on the socio-economic situation of the host Party;
- Impact of the project beyond its project boundaries;
- Additional effects (indirect) of the execution and functioning of the project];

(d) Proposed baseline methodology:

(i) Description of the baseline calculation methodology chosen [(in case of a [standardized] [multi-project] baseline[, please indicate the relevant section of the UNFCCC Article 6 reference manual)]];

(ii) Justification that the proposed baseline methodology is appropriate;

(iii) Justification of proposed crediting period;

(iv) The estimated operational life of the project;

(v) [Any other information required to make fully transparent the application of the approved [standardized] [multi-project] baseline to the specific project;]

(vi) Description of key parameters and assumptions used in the baseline estimate;

(vii) Data sources to be used to calculate the baseline emissions, such as historic data on emissions, variables and parameters used;

(viii) Historic emissions for the activity;

(ix) Projection of baseline emissions and emissions reduction by year over the operational life of the project;

(x) [Sensitivity analyses;]

(xi) Uncertainties (in a quantitative manner):

- Data;
- Assumptions;
- Key factors;
- Other;

(xii) [Strengths and weaknesses of the proposed baseline methodology;]

(e) [Conclusions on the proposed baseline methodology;]

(f) [Economic and financial information:

(i) Sources of financing and evidence that the funding is additional;

(ii) Financial and economic analysis (internal rate of return, reserve funds, financial flow);

(iii) Estimates of the costs of implementation and maintenance of the project over its projected lifetime;]

(g) [Request for assistance in securing funding, if needed;]

(h) Other information:

(i) Comments by local stakeholders and description of their involvement;

(ii) Contribution to other environmental agreements (e.g. biodiversity, desertification), as applicable;

(i) Monitoring plan:

(i) [Relevant] [Technical, environmental and economic parameters relevant to] project performance indicators both within and outside the project boundary;

(ii) Data needed for the project performance [indicators] [parameters] and assessment of data quality;

(iii) Methodologies to be used for data collection and monitoring;

(iv) Assessment of the accuracy, comparability, completeness and validity of the proposed monitoring methodology;

(v) Quality assurance and quality control provisions for the monitoring methodology, recording and reporting;

(vi) Description of how monitored data will be used to calculate the emissions reduced [or removed];

(j) References.

11. Annual information to be provided by the project participants:

(a) Real emissions;

(b) Evolution of baselines; and

(c) Any factors that influence emissions and are not included in approved project activity.

(Note: Further consideration may be required to identify elements specific to projects using [standardized] [multi-project] baselines)

12. Guidelines for completing information in the project design document shall include the following provisions:

(a) Baseline emissions, actual emissions, baseline removals by sinks, actual removals by sinks, leakage and emission reductions shall be expressed in units of one tonne of CO_2 equivalent emissions, calculated using the global warming potential (GWP) values defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) The emission level of the baseline estimate shall be broken down into individual, separate activities in accordance with the methodological approach used. The project design document shall provide disaggregated activity data and emission factors for each individual reduction activity included in the project baseline estimate in accordance with the level of aggregation used for the baseline estimate;

(c) Project participants shall discuss to which extent national policies (especially distortionary policies such as energy subsidies, or incentives to forest clearing) influence the determination of the baseline. Data used for the determination of baselines should be of the highest quality available.]

Appendix C (to the annex to decision A/CP.6 on Article 6)

Reporting by Parties

(Note: This appendix relates to all mechanisms and is repeated in each mechanisms decision. It could alternatively be incorporated into the guidelines to be adopted under Article 7.)

Option A:

(Note: This appendix is not necessary.)

Option B (paras 1 to 3):

1. In accordance with the guidelines under Article 7 [and Article 5, paragraph 2], each Party included in Annex I shall incorporate in its annual inventory of anthropogenic emissions by sources [and removals by sinks], the following information:

(a) Holdings of ERUs, CERs[10] and [AAUs][PAAs] in its registry at the [beginning] [end] of the year, identified by serial numbers;

(b) Initial transfers of ERUs and issuance of CERs and [AAUs][PAAs] to and from its registry during the year, identified by serial and transaction numbers;

(c) Transfers and acquisitions of ERUs[, CERs] and [AAUs][PAAs] to and from its registry during the year, identified by serial and transaction numbers;

(d) Retirement of ERUs, CERs and [AAUs][PAAs] from its registry during the year, identified by serial and transaction numbers;

(e) ERUs, CERs and [AAUs][PAAs] to be banked forward to a subsequent commitment period, identified by serial number;

(f) A uniform resource locator (URL) in the Internet from which up-to-date information may be downloaded on names and contact details of legal, private and public entities, resident within the jurisdiction of the Party, which are authorized or approved to participate in the mechanisms pursuant to Articles 6, 12 or 17.

2. In accordance with the guidelines under Article 7, each Party included in Annex I shall incorporate information on the following into its national communication:

(a) Project activities under Articles 6 and 12;

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[10] A "certified emission reduction" (CER) is defined in accordance with decision D/CP.6.

(b) How its CDM project activities have assisted Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention;

(c) Option 1: [An estimate of the expected contribution that acquired CERs will make towards compliance with its quantified emission limitation and reduction commitment under Article 3 and the expected contribution of domestic actions.]

Option 2: The Party's current, best estimates of:

(i) The total amount of greenhouse gas emissions (expressed in tonne of carbon dioxide equivalent) that the Party will be required to reduce, avoid, or sequester during the first commitment period, without taking int account net acquisitions of ERUs, CERs, or [AAUs]/[PAAs], in order to comply with its quantified emission limitation and reduction commitment under Article 3 of the Protocol; and

(ii) The amounts of ERUs, CERs, and [AAUs]/[PAAs], individually and in the aggregate, the Party expects to acquire (net of transfers by the Party) during each year of the first commitment period;

(d) The principal assumptions and the methodologies used by the Party in developing the estimates required by Subparagraph 117(c), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the estimates;

(e) The annual contributions by the Party to each of the Funds established by the COP with respect to Article 4, paragraphs 3, 5, 8, and 9 of the Convention and to each of the Funds established by the COP/MOP with respect to Article 2, paragraph 3, Article 3, paragraph 14, and Article 12 of the Protocol, showing the date of each contribution since establis[illegible]ment of each Fund;

(f) The Party's current, best estimate, expressed qualitatively and quantita-tively, of the effects of its policies and measures undertaken pursuant to Article 2, paragraphs 1 and 2 and otherwise undertaken to achieve its quantified emission limitation and reduction commitment under Article 3, paragraph 1 on developing countries and in particular those identified in Article 4, paragraphs 8 and 9 of the Convention, including the Party's best quantitative estimates of the effects of those policies and measures on such developing countries with respect to :

(i) The unit quantity and monetary amount of raw materials, fuels, and finished goods exported to the Party by developing countries in each year during the period 2000 through 2012;

(ii) The prices of finished goods imported from the Party by developing countries in each year during the period 2000 through 2012; and

(iii) the interest rates and the total interest payable by developing countries to the Party and its legal entities on the external debt of developing countries during the period 2000 through 2012, together with disclosure of the principal assumptions and the methodologies used by the Party in developing all of the estimates required by this Subparagraph 117(f), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the estimates;

(g) All steps taken by the Party to comply with its commitments contained in Article 2, paragraph 3 and Article 3, paragraph 14 of the Protocol, and detailed information describing how and the extent to which each such step contributed to minimizing the adverse effects and impacts referred to in those Articles and in the information provided pursuant to Paragraph 117(f), together with a statement of the principal assumptions and the methodologies used by the Party in developing the information required by this Subparagraph (g), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the information; and

(h) All steps the Party has taken and anticipates taking to comply with its commitment contained in Article 3, paragraph 2 of the Protocol, including detailed explanation as to why the Party believes, with respect to each of its separate commitments contained in the Protocol, the described steps do or do not constitute 'demonstrable progress in achieving' each such commitment."

3. Parties not included in Annex I shall report on CDM project activities to which they are host in the context of their reporting commitments under Article 12 of the Convention. [This reporting shall include how they have assisted Parties included in Annex I in achieving compliance with their commitments under Article 3.

Appendix D (to the annex to decision A/CP.6 on Article 6)

[Determination and allocation of the share of proceeds

1. The share of proceeds shall be defined in accordance with the following provisions, or any subsequent revisions to them adopted by the COP/MOP:

(a) **The share of proceeds is defined as ...**

Option 1: a proportion of the [number][value] of ERUs issued for a project activity;

Option 2*1*: **/**a proportion**/*[x per cent]* of the *[number][value]*of ERUs issued for a Article 6 project** to the participating Party included in Annex I;

Option 3: [a proportion][__ per cent] of the value of the Article 6 project [activity];

Option 4: the differential of the costs incurred by the Party included in Annex I in reducing greenhouse gas emissions through a project activity in a Party not included in Annex I and of the projected costs that would have been incurred if the greenhouse gas emission reduction activity had taken place in the Party included in Annex I which is funding the project activity;

(b) The level of the share of proceeds is __ per cent;

2. Option 1: **/No more than [ten]*[y]* per cent of the amount of the share of proceeds shall be used to cover administrative expenses *and shall be transferred to an account maintained for this purpose by the secretariat[of the executive board].]* *[20 per cent of]* The /remaining amount of the/ share of proceeds shall be devoted to assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation and shall be transferred to an *account maintained for this purpose by the* adaptation fund estabiished by the COP/MOP.**

Option 2: Ten per cent of the amount of the share of proceeds shall be used to cover administrative expenses; 20 per cent shall be provided to the adaptation fund; and 30 per cent shall be provided to the host Party of the project activity to assist it in achieving its sustainable development objectives.

(Note: The provisions in option 2 may not be applicable to Article 6 project activities.)

3. ***Option 1:*** ***The share of proceeds shall be transferred to the appropriate account[s] by the [transferring][acquiring] Party.***

Option 2: The share of proceeds shall be assessed, collected and transferred to the